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SUBJECT: JOINT US TREASURY AND DOD SOUTH ASIA REGIONAL
CONFERENCE ON COUNTERING TERRORIST FINANCING IN THE
CHARITABLE SECTOR, APRIL 14-16

¶1. (SBU) Summary: U.S. Pacific Command (PACOM) and the U.S. Department of the Treasury hosted a successful regional conference on Countering Terrorist Financing in the Charitable Sector from April 14-16 in New Delhi, India, with assistance from U.S. Central Command (CENTCOM) as well. Interagency delegations from Afghanistan, Pakistan, India, Bangladesh, Nepal, Sri Lanka, and Maldives attended the conference representing central banks and financial intelligence units, law enforcement and intelligence agencies, as well as home ministries and charity regulatory offices. The conference placed special emphasis on international standards (specifically, FATF SRVIII) in preventing abuse of charities (to include government oversight, enforcement actions, private sector outreach, and international engagement). USG experts from Treasury, State, Justice, and DOD as well as a representative from the Asia Pacific Group on Money Laundering (APG) delivered presentations on these areas. The participant list for the conference is included in paragraph 15. For additional details on the agenda and content of the workshop or other questions, please contact Katherine Leahy (Katherine.Leahy@do.treas.gov) and Tim Dorsett (Timothy.Dorsett@do.treas.gov) in U.S. Treasury.

¶2. (SBU) The conference represented the first USG CT-related technical assistance program in India since the November 2008 Mumbai terrorist attacks and the first program on terrorist abuse of charities in the region to include all of the participating countries and based on the comprehensive international standard approach. Feedback on the conference was extremely positive and helpful for informing future AML/CFT-related programming. The South Asian delegations expressed their appreciation for the subject matter and expertise on hand, as most participating countries are still in an early stage of addressing the use of charities to raise, move, and use illicit funds. Indian officials emphasized the value of the presentations by neighboring countries in fostering regional understanding and cooperation, as well as the obvious networking benefit of having this diverse and highly competent group assembled in one place. Embassy New Delhi's observation of the conference supports this assertion: most of the officials present were

meeting for the first time and U.S. delegates to the conference reported a wide range of substantive discussions on CT and illicit finance-related issues throughout the event. We note the Indian government's support for the conference and especially in facilitating Pakistan's attendance as an important indicator of India's changing attitude towards U.S.-sponsored regional technical assistance. Following the success of this conference, Treasury plans to conduct additional AML/CFT programs to India and neighboring countries with the aim towards establishing more regular bilateral and regional dialogue on a variety of critical AML/CFT issues in South Asia. END SUMMARY.

Delegation: Positioning as a Regional Leader on Counterterrorism

13. (SBU) As host nation, India provided the largest delegation to the conference (over 20 people). The delegation gave well-developed presentations covering India's current and pending legal authorities on NPO oversight, NPO abuse investigations and prosecutions, India's financial intelligence unit, as well as an overview of the February 2009 amendment to India's law on anti-money laundering and counter-financing of terrorism. Indian officials drove many of the discussions during the conference and evinced a strong interest in the experiences of both their regional neighbors and of the United States. The delegation sought to learn more about U.S. government outreach efforts to the charitable

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sector and later drew parallels between challenges in the oversight systems of the United States and India, both of which are tiered level of oversight between federal and state-level authorities. In response, a representative from the U.S. Treasury Department acknowledged the importance of regulation and outreach, but emphasized the critical role of law enforcement and especially the use of intelligence to identify the abuse of charities by terrorists and to take effective measures to stop it. Following the conclusion of the conference, Indian Ministry of Finance Joint Secretary Krishnan indicated that MOF officials were pleased with the proceedings of the event and were considering conducting a domestic workshop for Indian federal and state-level charity regulators that would explore similar themes.

Pakistani Delegation: Focused and Quick to Defend Islamabad's Record

14. (SBU) One of the highlights of the conference was the active and, on balance, constructive participation of the Pakistani delegation. The delegation presented on Pakistan's regulatory framework for overseeing charities and provided details on a national database initiative that is unique in the region for its comprehensive scope and accessibility. The Pakistani government admitted it faces resource and training constraints in registering and monitoring over 100,000 active non-profit organizations (an area where the UK Charity Commission is providing some assistance). Every NPO is required to submit annual auditing records pertaining to donors, spending, corporate leadership, etc; many of these records are available on a publicly accessible website. Pakistani officials claimed that very few cases of terrorist abuse have been detected in the NPO sector and that resource constraints*not opposition from NPOs*are the primary hindrance to registration and monitoring efforts.

15. (SBU) The delegation also fielded questions on Pakistan's implementation of UNSCR 1267 and discussed its challenges in freezing the assets of 1267-listed entities due largely to the high level of derogatory information needed by its court to take domestic freezing actions. Pakistani officials underscored the need for strong evidence and adequate information-sharing on 1267 designations in order to provide

Pakistan with adequate legal justification to domestically prosecute cases against 1267 entities. In response, U.S. Treasury Department representative spent some time clarifying the nature of targeted sanctions versus criminal prosecutions, and described the necessary legal authorities called for by UNSCRs 1267 and 1373 in order to effectively implement sanctions domestically. At the end of the workshop, the Pakistani delegation suggested that a future regional dialogue on targeted sanctions would be beneficial for them and likely others in the region*and in particular they are interested to learn more about the USG authorities and processes for developing and implementing targeted sanctions under UNSCRs 1267 and 1373. As follow-up to this charities conference, Treasury is developing a proposal to offer a future regional workshop on targeted sanctions, likely for early 2010.

Afghan Delegation: Newcomers to the Party

¶6. (SBU) The conference was also notable for the participation of officials from Afghanistan, in particular from Afghanistan's central bank, Ministry of Economy, and the National Director of Security, most of whom were travelling outside of Afghanistan for the first time. The delegation gave informative presentations on the Ministry of Economy's role in regulating charities, as well as an overview of the developing capabilities of Afghanistan's financial

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intelligence unit (the Financial Transactions and Reports Analysis Center of Afghanistan, or FinTRACA). The Ministry of Economy has a Non-Governmental Organization (NGO) office overseeing over 1500 registered domestic and foreign organizations that funded over 500 million USD in projects during 2008. FinTRACA has 22 employees overseeing 17 commercial banks and 150 registered hawaladars (an increase from 7 in 2006). While the delegation was understandably inexperienced in this setting, the senior-most officials from the central bank and Ministry of Economy made an excellent impression, and many of the other South Asian delegates confessed to us during the event that they had been largely ignorant of Afghanistan's emerging AML/CFT capabilities prior to the conference and benefited immensely from this opportunity to interact with them and to learn more about what they are doing.

Bangladeshi, Nepali, Sri Lankan, and Maldivian Delegations: Offering Insightful Perspectives and Helping Defuse Potential Tensions

¶7. (SBU) The participation of Bangladesh, Nepal, Sri Lanka, and Maldives was essential in creating an open environment to discuss sensitive but important issues, such as the UNSCR 1267 designation process and opportunities and challenges in bolstering regional cooperation to prevent and enforce the abuse of charities by terrorists. Some of the most useful moments of the conference came during Q&A sessions in which these countries added their voice to discussions on the implementation of international standards and best practices. Nepal and the Maldives are still in a rudimentary stage of beginning to address terrorism finance in the charitable sector and had excellent questions for USG experts and the representative of the APG (the FATF-style regional body for much of South and East Asia). In contrast, the Sri Lankan delegation had a wealth of knowledge and experience to share on Sri Lanka's long history of combating terrorism finance activity by charities including the Tamil Relief Organization.

Issues on the Margin of the Conference include Iran Banking

¶8. (SBU) The conference provided USG delegates with numerous opportunities to engage South Asian officials on a variety of illicit finance issues that extended beyond the abuse of

charities. In separate discussions, Treasury officials raised Iranian terrorism and proliferation finance activity with a bank regulator for Pakistan's central bank, and an official with Afghanistan's FIU. In response to our questions on Iranian press reports indicating that Iran will soon open a bank in Pakistan, they emphasized that no Iranian financial institution is "even remotely close" to satisfying Pakistan's registration requirements. They acknowledged that banking cooperation is sometimes raised within the context of top-level bilateral engagements between Pakistan and Iran, but professed that the actual effect of these discussions is minimal. They underscored that the State Bank of Pakistan has ordered Pakistani banks to restrict transactions with U.S. and UN designated Iranian banks and suggested that this order has led to a general unwillingness by Pakistani banks to deal with any Iranian financial institutions. With regards to Afghanistan, they stated that Afghanistan's FIU is closely monitoring the transaction reports produced by Arian Bank (a fully functioning bank in Afghanistan controlled by Iran's Bank Melli) and has not detected any significant illicit activity.

Follow-Up

¶9. (SBU) One of the immediate follow-up initiatives coming

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out of this conference was the ability to identify gaps in South Asian jurisdictions' NPO domestic sector reviews and terrorist threat assessments required under FATF SRVIII. The APG was in attendance at the workshop and will continue its work with these governments to revisit and complete their domestic sector reviews and threat assessments, which are critical steps toward implementation of the international standard to effectively identify and counter the terrorist threat in the NPO sector.

¶10. (U) This workshop was a great example of a large Treasury-DOD collaboration on CFT across multiple AORs and in a region highly in need of this type of counter-terrorism dialogue. It was a significant first step towards greater USG interagency cooperation on producing more regional CT understanding and cooperation by leveraging relevant USG agencies' expertise and resources.

¶11. (SBU) Following the success of this regional, interagency workshop, Treasury plans to replicate this successful format and work with relevant experts in the USG interagency to launch additional AML/CFT workshops and initiatives in India and the South Asia region with the aim towards establishing more regular bilateral and regional dialogue on a variety of critical AML/CFT issues in South Asia.

¶12. (SBU) In particular, Treasury is already working with State to respond to a specific request from the Government of India to provide a workshop in August/September 2009 on the FATF Special Recommendations (SRs) on Terrorist Financing prior to India's upcoming FATF Mutual Evaluation in November 2009. India would benefit immensely from this type of program in order to become more familiar with the FATF SRs and to work on strengthening their expertise and implementation of these international standards. Treasury will take the lead in working with the USG interagency and the FATF APG to provide the relevant AML/CFT experts.

¶13. (SBU) In response to specific feedback from the NPO workshop, Treasury is also currently working to design and implement a regional South Asia workshop in the fall or winter 2009 on implementation of FATF SRVI -- countering terrorist abuse of hawala and new payment methods. The global informal value transfer system, of which hawala is a large part, has repeatedly been implicated in funding terrorist attacks and other illicit activity, largely due to the non-transparent nature of this sector. In India alone, the hawala market is estimated to be between 30-40 percent as

large as the formal banking sector, according to India's central bank. Indian media reports indicate that Pakistan-based terrorist group Lashkar-e-Tayyiba (LeT) uses hawala to support a wide network of operatives in India, Bangladesh, and Nepal. In addition, the terrorist and organized crime network of Dawood Ibrahim relies extensively on hawala, which played a prominent role in funding the 1993 bombings of the Mumbai stock exchange and a supporting role in the November 2008 Mumbai attacks (as one conduit for funding from Italy to Pakistan). This regional workshop will focus on: (i) promoting international standards and best practices for countering terrorist abuse of the informal value transfer system through greater understanding and implementation of FATF Special Recommendation VI; (ii) sharing experiences among participating nations in addressing the abuse of informal value transfer systems and identifying challenges and opportunities for greater regional cooperation on this issue; and (iii) inviting experts from companies specializing in new and emerging payment technologies, such as mobile banking, to speak to private sector implementation of SRVI.

¶14. (SBU) Another topic for discussion that Treasury is exploring based on feedback from the NPO workshop is a South

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Asia regional workshop on effective development and implementation of targeted sanctions to better comply with international standards (UNSCRs 1373 and 1267 and FATF SRIII). The objective of the workshop is for these governments to emerge with the necessary tools to (i) effectively target Al Qaeda- and Taliban-related threats under UNSCR 1267 and other terrorist threats under IJNSCR 1373; (ii) successfully list these targeted individuals and entities at the UN 1267 Sanctions Committee and domestically by developing robust and relevant designation proposals; and (iii) to apply these tools to increase the use and strengthen the integrity of the 1267 international targeted sanctions regime. Greater understanding of the process and better international coordination would have likely resulted in a more immediate and successful listing at the UN. The timing for implementation of this regional sanctions workshop is estimated at January to March 2010. Treasury will be looking for strong interagency expertise and resource support once again, in order to replicate effective regional CT workshops.

¶15. Participating institutions:

Afghanistan
Ministry of Economy, Non-Governmental Organization Dept
National Director of Security
DA Afghanistan Bank (Central Bank), Financial Intelligence Unit

Bangladesh
Bangladesh Bank, Anti Money Laundering Dept (Dhaka)
Bangladesh Bank, Dept of Banking Inspection (Khulna)
Directorate General of Forces Intelligence

India
Central Bureau of Investigation
Ministry of Home Affairs, Internal Security-VI
Ministry of Home Affairs, Foreigners Office
Ministry of Home Affairs, Intelligence Bureau
Ministry of Finance, Revenue Dept
Ministry of Finance, Revenue Dept, Central Board of Direct Taxes
Ministry of Finance, Revenue Dept, Central Economic Intelligence Bureau
Revenue Dept, FIU-IND
Ministry of Finance, Revenue Dept, Directorate of Enforcement
Ministry of Finance, Dept of Economic Affairs
Ministry of Finance, Dept of Economic Affairs, FATF cell
Securities and Exchange Board of India
Ministry of External Affairs, Americas Division
Ministry of External Affairs, Counterterrorism

Ministry of External Affairs, SAARC

Maldives

National Defence Force

Maldives Police Service

Customs Service, Finance and Accounts

Maldives Monetary Authority, Financial Intelligence Unit,

Legal Section

Dept of Immigration and Emigration

Nepal

Army

Nepalese Armed Police

Nepal Central Bank

Ministry of Home

Pakistan

Ministry of Foreign Affairs

State Bank of Pakistan, Banking Policy & Regulations

Ministry of Religious Affairs, Zakat & Ushr, Research &
Reference Wing

Ministry of Social Welfare and Special Education

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Federal Investigation Agency

Financial Monitoring Unit

Pakistani High Commission in New Delhi

Sri Lanka

Central Bank, Financial Intelligence Unit

Ministry of Social Service and Social Welfare, Registrar of
the National Secretariat for Non-Governmental Organizations

Deputy Solicitor General

SIS, Ministry of Defense

USA

Treasury Dept, Terrorism Finance and Financial Crimes

State Dept, Economics Bureau

Treasury Dept, Financial Intelligence Unit

Treasury Dept, Internal Revenue Service, Criminal
Investigation

Pacific Command

Justice Dept, Office of Overseas Prosecutorial Development,
Assistance and Training

Treas Dept Attach, Kabul

Treasury Dept, Office of Foreign Assets Control

Office of the Secretary of Defense, Policy

Treasury Dept, Office of Intelligence Analysis

Embassy New Delhi

Asia, Pacific Group (APG) Secretariat

Delegation of the European Commission to India, Political
Affairs Section

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